



PERS RETIREE NEWS

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NV PERS

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Dana K. Bilyeu
Executive Officer
Tina M. Leiss
Operations Officer
Laura B. Wallace
Investment Officer

2003 Annual Report Summary

Each year the System publishes an annual report which is submitted to the Governor, members of the Nevada Legislature, public employers, as well as employee and employer associations. The following is some of the pertinent information contained in our 2003 annual report. Any member who would like a copy of the report should contact the System.

Member/Retiree Demographics - The annual report shows interesting trends in membership and retirement data, as follows:

	<u>Member/Retiree Demographics</u>		Annual Compound
	<u>1993</u>	<u>2003</u>	<u>Increase (%)</u>
Active Members	59,496	87,327	3.9
Public Employer Payroll (millions)	\$ 1,858.2	\$ 3,595.4	6.8
Average Annual Salary:			
Regular	\$ 30,283	\$ 39,193	2.6
Police/Fire	\$ 39,585	\$ 56,907	3.7
Retirees & Survivors	14,436	27,040	6.5
Ratio: Active Members/ Retirees & Survivors	4.1	3.2	
Average Annual Retirement Benefit:*			
Regular	\$ 13,458	\$ 22,548	5.3
Police/Fire	\$ 20,412	\$ 34,344	5.3
Total Benefits (millions)	\$ 184.5	\$ 591.8	12.4

*Excludes survivors and beneficiaries

In 1993, the System had 4.1 active members for each person drawing a benefit. This ratio decreased to 3.2 active members per benefit recipient by 2003. We anticipate that this trend will continue to decrease to about 3 active members per retiree in the next four years.

A comparison of active members by employer type for 1993 and 2003 is as follows:

June 30	<u>1993</u>	<u>2003</u>
State & University	14,875	18,382
Schools	22,855	37,655
Counties	11,235	11,454
Cities	5,790	8,920
Miscellaneous	<u>4,741</u>	<u>10,916</u>
Totals	59,496	87,327

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DEDICATED TO DELIVERING ACCURATE AND TIMELY SERVICE

2003 Annual Report Summary (continued)

Contribution Rates - As of July 1, 2003, contribution rates for regular and police/fire members under the two contribution plans were as follows:

<u>Contribution Rates:</u>	<u>7/1/03</u>
<u>Employer Pay</u>	
Regular	20.25%
Police/Fire	28.50%
<u>Employee/Employer (Matching Rates)</u>	
Regular	10.50%
Police/Fire	14.75%

Contribution rates will remain the same through June 2005 for all members regardless of contribution plan.

Investments - The System has a funding objective to provide a total rate of return which exceeds the Consumer Price Index (CPI) by 3.75% each year over the long-term future. Our investment objective to achieve that funding is to capture market returns for each asset class. For domestic common stocks, it is the return of the S & P 500; for U.S. bonds, the Lehman Aggregate Index; and for real estate, the National Council of Real Estate Investment Fiduciaries (NCREIF) index. International stocks are measured against the Morgan Stanley Capital International Europe, Australia, Far East Index, and International Bonds against the Citigroup Non-Dollar Government Bond Index. Total return for the year was 5.0%.

Financial - During the 2003 fiscal year, the total fund balance changed as follows:

2003 Statement of Changes In Plan Net Assets

(\$ in millions)

Fund Balance July 1, 2002 \$13,209.4

Revenues:	Contributions	\$ 808.9
	Investments	672.8
	Other	<u>2.1</u>
	Total	1,483.8

Expenses:	Benefits	591.8
	Refunds	11.1
	Administration	9.6
	Transfer of Contributions*	<u>6.7</u>
	Total	\$ 619.2

Excess, Revenues over Expenses 864.6

Fund Balance June 30, 2003 \$14,074.0

* Contributions transferred from PERS to the Judicial Retirement System on behalf of judges who changed retirement plans during fiscal year 2003.

Continued on Page 3

2003 Annual Report Summary (continued)

Major Initiatives

Legislation

The Nevada State Legislature convenes on a biennial basis. For 2003, the Nevada Legislature passed non-fiscal pension legislation which included certain significant provisions clarifying the Retirement Act, Chapter 286 of the Nevada Revised Statutes. Senate Bill 439, the System's technical, or housekeeping bill, contained several technical changes and pension reforms. Highlights include:

- Modifications to the critical labor shortage designation process. SB 439 enhanced the critical labor shortage designation process by requiring employers to re-certify positions as critical after 2 years.
- Modifications to the single survivor benefit. SB 439 allows members to designate a single survivor and alternate payees to receive a portion of the benefit in the event of a member's death. This provides our members with greater flexibility in selecting beneficiaries.

Operational Initiatives

Completed in the fiscal year was a board-mandated study of early retirement qualification for police and fire members designed to update the 1987 study completed by the System for report to the 2005 Nevada Legislature. The board adopted several minor modifications to the police/fire retirement criteria designed to clarify underlying statutory requirements and further the public policy supporting early retirement for public safety members.

PERS' staff continues to monitor utilization of modifications to PERS' retiree re-employment restrictions passed by the 2001 Nevada Legislature. This legislation was designed to assist Nevada public employers with re-employment of retirees in areas of critical labor shortage.

Finally, the System moved, upgraded, and expanded our Las Vegas office, which now includes meeting facilities available for board meetings and training programs. This move provided opportunity for growth in counseling services for our Las Vegas area members, a goal of PERS for several years.

Technology Improvements

Information technology highlights this fiscal year include development of the interactive website for our members and employers. eC*A*R*S*O*N, as it is known, went live for members at the beginning of April with greatly improved functionality over the previous website version. Members can log into the secure areas of the site and review their personal account information, as well as calculate purchase of service and benefit estimates. This functionality is designed for customer self-service so staff loads are decreased in this area and reallocated to value added services. On the non-secure side of the site, anyone can use purchase and benefit calculators with information the user inputs to the calculator. This tool can be used by our members for financial planning purposes and will provide them with as many "what if" scenarios as they can envision.

Employer functionality allows wage and contribution reporting across the Internet in such a fashion that the employers will be able to edit their reports against PERS' wage and contribution filters. This provides our employers with the opportunity to revise their reports on-line to meet PERS' requirements.

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Time To Review Income Tax Withholding Instructions



It's the time of year to consider your previous instructions for Federal Income Tax withholding. We will continue to withhold (or not withhold) according to your previous instructions unless we receive written instructions to do otherwise. The Internal Revenue Service did not make any changes this year that affect the withholding tax rate for your PERS benefit.

In accordance with instructions from the Internal Revenue Service, we can not deduct a flat dollar amount. We are, however, able to calculate an amount based on your marital status and the number of withholding exemptions and then add a flat dollar amount to the calculated amount. If you have a specific amount you would like withheld, but don't know the factors that would yield that deduction, please call us and we can help set up that deduction.

Requests for changes to your retirement account must be in writing with your social security number and signature. Changes received after the 15th of the month will be effective on your next month's retirement benefit.

Investment Performance Update

For the first six months of our fiscal year (July - December 2003), the investment markets generated positive returns, driven by U.S. stocks, international stocks, and international bonds. During this period, PERS' portfolio generated a return of 9.7%. Since inception (19 ½ years), the fund's average annual return has been 11%.

At December 31, assets totaled \$15.5 billion.

Tina Leiss Named Operations Officer

Tina Leiss was appointed Operations Officer in February of 2004. Prior to her position at PERS, she served as the System's legal counsel in the Nevada Attorney General's Office. Tina is a member of the National Association of Public Pension Attorneys. She is a member of the Nevada bar and an inactive member of the Oregon bar.

Tina is a native of Albany, Oregon and graduated from Oregon State University and Willamette University College of Law. She currently lives with her husband Gregg and daughter Shannon in Minden.

2004 Check Mail Dates

January 27, 2004	May 25, 2004	September 27, 2004
February 24, 2004	June 25, 2004	October 25, 2004
March 26, 2004	July 27, 2004	November 23, 2004
April 27, 2004	August 26, 2004	December 27, 2004

Would Your Beneficiary Know What To Do?

No one likes to think about death. However, a little information and planning can save your beneficiary additional stress and worry at a difficult time. It is important that your beneficiary know what benefits are available and who to contact at the time of your death. If, at the time of your retirement, you chose an option to provide benefits for a beneficiary, your beneficiary is eligible for those benefits immediately. PERS must be informed of your death as soon as possible in order to cease your benefit and begin paying benefits to your beneficiary.

At the time of death

PERS should be notified as soon as possible after the death of a retiree. The notification may be by phone or in writing. Although information on the retiree's account is only available to the beneficiary, anyone may report the death of a retiree. A copy of the death certificate is required to stop benefit

payments to the retiree and to begin payments to the beneficiary. Benefits are paid to the retiree for the entire month in which the death occurs. Beneficiary benefits will begin the first of the following month according to the retirement option.

In preparation

Inform your beneficiary of the retirement option you chose and if there will be beneficiary benefits. They should also know if you have any supplemental life insurance, health insurance, social security benefits, or other retirement benefits. It is a good idea to keep this information in one place along with a contact list, with phone numbers, of who needs to be informed of your death.

A little planning now will give you the peace of mind that your beneficiary will receive benefits as quickly as possible upon your death.

Thinking About Returning To Work?

Returning to work for a public employer in the PERS system may affect your retirement benefit.

If you return to work with a Nevada public employer in a position that is not eligible for membership you may earn up to 50% of the average salary for regular members, without affecting your retirement benefit. If you accept a position that is eligible for membership, your retirement benefit must be forfeited for the duration of that employment. Critical labor shortage positions may be exempt from reemployment restrictions.

We cannot emphasize too strongly that employment after retirement with a Nevada public employer may have serious effects on your retirement benefit. If you are considering employment with a Nevada public employer contact a PERS Counselor to avoid any overpayment of benefits.



Need Information? Call:

From Las Vegas	486-3900
From Reno or Carson City	687-4200
From Anywhere Else in the U.S.	1-866-473-7768

2003 Annual Report Summary (continued)

Strategic Planning

Strategic and tactical planning are key to the successful management of the System. These plans must address both external and internal elements ranging from financial market analysis to federal legislative efforts to member relations.

Strategic investment management includes validating our long term return and risk assumptions for our asset classes. Other strategic planning issues include continuing to coordinate and review all current communications and development of a new approach to pre-retirement programs in cooperation with our participating public employers. Operational performance benchmarking is targeted for implementation within the strategic horizon through enhanced data collection relating to service, complexity, workload volumes, and activity costs such that we may be compared to a peer group of Systems most similar to PERS.

This publication is intended to provide general information. If there is any conflict between this information and Nevada laws or PERS policies, the laws and policies will supersede this information.

Retiree News is a quarterly newsletter for retired members and benefit recipients of the Public Employees' Retirement System of Nevada. Comments or suggestions may be directed to: PERS, Newsletter, 693 W. Nye Lane, Carson City, Nevada 89703

Review your
Federal Income Tax
Withholding
deductions for
2004.

**PUBLIC
EMPLOYEES'
RETIREMENT
SYSTEM OF
NEVADA**

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